

Generating Interest in Demand Response Programs



from E.ON US

Call Center Case Study from “How Energy Efficiency Issues Impact Utility Customer Service Operation” Workshop presented following the American Gas Association and Edison Electric Institute Customer Service Conference on April 2, 2008 in San Diego

Executive Summary

This case study describes E.ON’s innovative approach to leverage its out-bound calling application to achieve low-cost customer enrollment in its Demand Conservation Program. This application, which is typically used for debt collection, led to increased sign-ups and reduced costs of enrollment for this demand management program.

Program Description

Energy conservation programs can be a tough sell. This is especially true if the utility is asking customers to make a “sacrifice” in terms of interrupting air-conditioner usage during peak times. This is exactly the dilemma that faced E.ON U.S.’s two energy subsidiaries: Louisville Gas & Electric (LG&E) and Kentucky Utilities (KU).

To overcome these obstacles, Louisville Gas & Electric (LG&E) initially developed a creative, but costly direct mail campaign to encourage customers to enroll in its Demand Conservation program – a load-control program designed to reduce air-conditioning load on peak summer days. The campaign focused on the customer getting paid to help the utility and the environment: “*Share the load. Help the environment. Get paid.*”

However, this first mail campaign generated a direct-enrollment rate of less than 1%, yielding enrollment costs as high as \$100. E.ON US therefore tested a 40-cent package consisting of a letter, reply card and window envelope. The campaign message was also simplified: “Help the environment. Get paid.” As a result, initial direct-enrollment rates of 5% were achieved, reducing enrollment costs to \$5. Variations of this package were used to enroll approximately 90,000 customers in the program over the following three years. However, as market penetration neared 10%, direct-enrollment rates began dropping to an average of 1%, and cost-per-enrollment increased to approximately \$20. So, E.ON US began researching electronic methods of direct marketing to reduce enrollment costs. As a result, the Marketing department became aware of existing capabilities with automated, outbound, direct-response calling services through TeleVox. This was a first for E.ON U.S.

Christopher Whelan, Residential/Commercial Market Manager summarizes the origin of this approach, “We used TeleVox’s outbound calling to curb enrollment costs, which we could achieve by reducing the cost-per-contact, even if enrollment rates remained around 1%.”

Demand Conservation Program

The E.ON US Demand Conservation, similar to other residential demand management offerings, invites customers to enroll in an air conditioner curtailment program. Participating customers receive an incentive payment in exchange for agreeing to have their air conditioners cycled off for a few minutes during the hottest summer days.

Mr. Whelan, Residential/Commercial Market Manager, described the program in this way, “Participating customers receive a \$20 total incentive payment per summer to enroll in the program. The enrollment allows the utility, via its Good Cents implementation contractor, to install controller switches on the air conditioning equipment.”

Out-Bound Calling Methodology

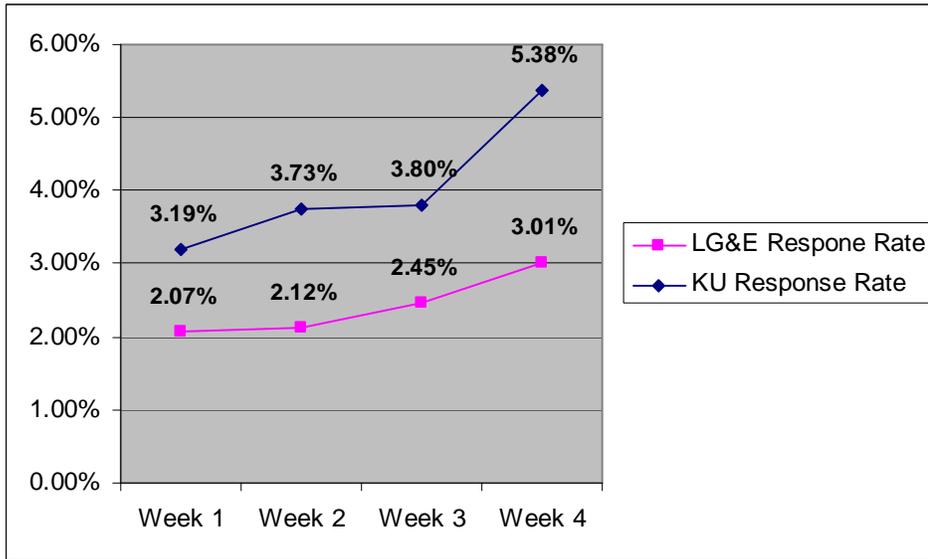
E.ON US worked with TeleVox to use HouseCalls[®], its outbound automated telemarketing approach, previously used to enroll customers in budget billing and auto debit programs. “We saw success with this technology in terms of good enrollment rates at low costs per enrollment. This was the first time I had used this technology, and I immediately experienced similar success with it,” Mr. Whelan says.

During this campaign, the TeleVox HouseCalls system delivered more than 315,000 messages to E.ON’s residential customers. Using previous direct mail testing as a guide, the utility and TeleVox worked together to develop customizable scripts for the recorded messages. The script was then recorded by a utility employee to maintain the utility’s personal touch with each call.

The calls were scheduled for early afternoon, which resulted in an even distribution of the number of calls answered by an actual customer and those left on an answering machine. For calls that were not answered live, HouseCalls was able to detect the answering machine and leave a slightly altered version of the message. Since enrollment in the program often involved transferring the customer to the contact center, this capability allowed GoodCents to optimize contact center staffing.

E.ON US calculated that the TeleVox approach achieved average direct-enrollment rates of approximately 1%, “which would even be a strong enrollment rate by traditional direct-mail standards,” says Whelan. He adds that over the course of the campaign, adjustments to the script improved enrollments, such that the average cost per direct enrollment was reduced to approximately \$19 relative to total calls (including messages left on answering machines), and as low as \$6 per enrollment for live calls. An additional 4,000 enrollments were therefore achieved at lower costs by reducing the cost per contact while maintaining the existing rates of direct enrollment.

Figure 1: Comparison of Utility Response Rates* During TeleVox Campaign



*Response rates include direct enrollments plus the customer’s selection to be routed to a live agent. Direct enrollment rates were approximately 1% for LG&E and 1.5% for KU.

Mr. Whelan summarized the cost-advantages of this outbound calling approach: “The outbound phone messages are very cost-effective (about \$11 per enrollment for live calls, and less than \$20 for total calls) even with enrollment rates between 1% and 2%.” Mr. Whelan added, “There was a low cost per call, so we did not risk a lot, and we saw immediate results.”

Evaluation and Verification Activities

TeleVox generated a report detailing the outcome of that day’s calls. Thus the utility could see the results of each day’s activity and this disposition of the calls.

The scripts were also modified to test different messages. “It is always important to test the different versions of the script for the outbound calling, and it was easy to test, especially when using in-house talent. We saw lots of benefits there. The most effective was the testimonial approach,” Mr. Whelan added.

Program Results to Date

The Demand Conservation program now has more than 100,000 customers enrolled, which has also increased customer enrollment in other energy efficiency programs. For example, E.ON’s Energy Audit campaign has earned direct enrollment rates as high as 13% among Demand Conservation customers, compared to 3% in mailings to the general customer base.

Lessons Learned

E.ON U.S.'s utility staff learned several valuable lessons regarding the best ways to encourage customer enrollment through this non-traditional outbound calling approach. These lessons included:

1. Effective marketing doesn't have to be a "beauty contest."

As Mr. Whelan explained, it is important for utilities engaged in marketing to focus on cost-effective rather than flashy marketing approaches. "The marketing effort should focus on efforts that earn the most enrollments at the lowest cost."

2. Outbound calling allows for flexibility in changing the customer message.

Mr. Whelan said that the one of the biggest benefits of this approach was its flexibility in "being able to test various versions of the scripts." For example, the outbound calling scripts were modified to focus on different messages that could be customized by each utility. Moreover, this approach allowed the utility staff to experiment with various formats to determine which were most successful. For this program, customer testimonials proved to be the most effective message.

3. Sometimes the best marketing begins "in-house."

This program was unique because it used an existing capability in the billing and collections department and it was able to be successfully modified to an outbound marketing approach. Prior to this program, most marketing staff were unaware of this internal capability or its flexibility.

4. It is important to have the right team in place, especially for converting inbound calls into enrollments.

This new approach did reveal some areas for improvement regarding the calls in which the customers transferred to live agents (approximately .4% of all calls). Going forward, E.ON staff will put more emphasis on sales training for its 'live agents.'

"We learned that the closure rate really depends upon the experience, skills and training of the live agent. It was an experiment, and we observed that the call center was not adept at 'converting the sale.' But then again, that was not their usual function, so it taught us not to assume that call agents were automatically going to be highly skilled as telemarketers," Mr. Whelan added.

Overall, this experience with outbound calling was a success and a surprise to the utility management. "I wasn't that familiar with the technology before hand ... and it did offer a new, low-cost method of direct-response enrollment," Mr. Whelan said.

To Learn More

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E.ON U.S. is the parent company of two regulated utility companies — Louisville Gas and Electric Company and Kentucky Utilities. LG&E and KU have a joint generation capacity of 7,600 MW and serve 908,000 electricity customers and 318,000 natural gas customers over a transmission and distribution network covering some 27,000 square miles Website: www.eon-us.com

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TeleVox Software, Inc. is a technology-centered company based in Mobile, AL. Since 1992, TeleVox has provided software communication applications to the healthcare industry and other commercial markets. TeleVox counts more than 12,000 businesses. Its software solutions cover a broad range of messaging and communication applications, all designed to improve business-customer communication. For more information visit: <http://www.televox.com/business/utilities/>

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Good Cents develops and manages utility-sponsored mass-market demand response and energy efficiency programs for residential and small business customers. Customers can select from a full range of professional program services, including program design, marketing, customer recruitment, implementation, program evaluation, and long-term customer care — to create a total turnkey business solution. For more information visit www.goodcents.com

AGA-EEI Post Conference Workshop

This case study was developed to support the AGA-EEI Customer Service Conference and Exposition as a post-conference workshop that focused on “Energy Efficiency in Customer Service.” Other case studies developed for this workshop were: Call Center Case Study: CSRs on the Front Line of Energy Efficiency Joan Shafer, WE Energies; Linking Energy Efficiency to Energy Delivery, Jennifer Felder, Progress Energy-Florida; and Commercial Account Management Case Study: Treating Trade Allies like Family, Roseann Brusco, N-Star.